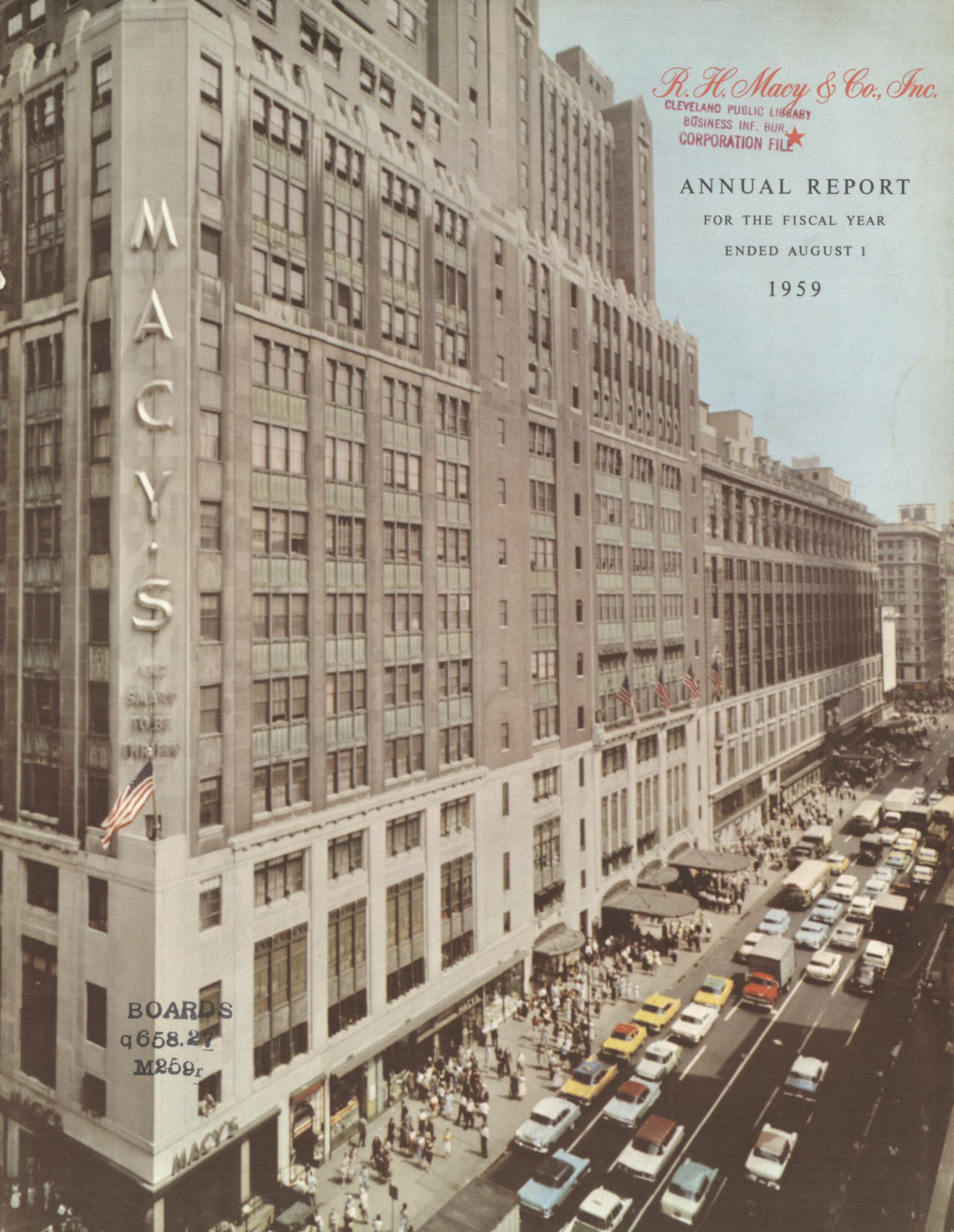

R. H. Macy & Co., Inc.

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ANNUAL REPORT

FOR THE FISCAL YEAR

ENDED AUGUST 1

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R. H. Macy & Co., Inc.

151 WEST 34TH STREET, NEW YORK 1, N. Y.

A NEW YORK CORPORATION FOUNDED 1858 – INCORPORATED 1919

DIRECTORS OF THE CORPORATION

ABRAHAM L. BIENSTOCK
WHEELOCK H. BINGHAM
JAMES F. BROWNLEE
EDWIN F. CHINLUND
GARDNER COWLES
DONALD KIRK DAVID
ROBERT W. DOWLING
ARTHUR L. MANCHEE
EDWIN I. MARKS
ROBERT MONTGOMERY
DONALD B. SMILEY
JACK I. STRAUS
RALPH I. STRAUS
DAVID L. YUNICH

OFFICERS OF THE CORPORATION

JACK I. STRAUS, *Chairman of the Board* WHEELOCK H. BINGHAM, *President*

DONALD B. SMILEY, *Vice President and Treasurer*

VICE PRESIDENTS

FREDERICK G. ATKINSON
THOMAS V. BARBER
J. BUCKLEY BRYAN
CHARLES A. CRONHEIM
ABE HACKMAN
LEO MARTINUZZI

SECRETARY AND GENERAL ATTORNEY: CHARLES T. STEWART

General Auditors: Touche, Niven, Bailey & Smart, 233 Broadway, New York 7, N. Y.

Transfer Agent and Dividend Disbursing Agent: Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Registrar for Common Stock: Irving Trust Company, 1 Wall Street, New York 15, N. Y.

Registrar for Preferred Stock: The Chase Manhattan Bank, 40 Wall Street, New York 15, N. Y.

Trustee and Paying Agent for Twenty-Five Year 2⅞% Sinking Fund Debentures, due 1972:
Morgan Guaranty Trust Company of New York, 140 Broadway, New York 15, N. Y.

Trustee, Paying Agent, and Conversion Agent for 5% Convertible Subordinated Debentures, due 1977:
First National City Trust Company, 22 William Street, New York 15, N. Y.

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THE COVER: FABULOUS MACY'S HERALD SQUARE

Macy's Herald Square on New York's 34th Street – the world's largest store – continues to be "fabulous as New York is fabulous," as one writer has put it. Upwards of 50,000,000 people go through Macy's in a year; more than 400,000 different items are sold there; and sales often top $1,000,000 in a single day. As the great store entered its second century, New Yorkers still agreed "It's smart to be thrifty" at Macy's.

R. H. Macy & Co., Inc.

AND CONSOLIDATED SUBSIDIARIES

FINANCIAL HIGHLIGHTS

	Year (52 weeks) ended	
	August 1, 1959	August 2, 1958
OPERATING RESULTS		
Net retail sales	$471,842,000	$456,359,000
Earnings before Federal income taxes	16,200,000	13,389,000
Federal income taxes	8,425,000	6,800,000
Net earnings	7,775,000	6,589,000
DISTRIBUTION OF EARNINGS		
Cash dividends declared on—		
Preferred stock	$ 1,078,000	$ 1,078,000
Common stock[1]	3,494,000	3,439,000
Earnings reinvested in the business	4,063,000	1,211,000
PER SHARE OF COMMON STOCK[2]		
Taxes — Federal, state, and local	$ 10.24	$ 8.63
Net earnings after preferred dividends	3.84	3.20
Dividends[1]	2.00	2.00
Net worth — book value	46.36	43.58
FINANCIAL POSITION (at end of year)		
Working capital	$ 67,506,000	$ 67,826,000
Ratio of current assets to current liabilities	2.6	2.9
Accounts receivable, customers — net	$ 26,334,000	$ 26,797,000
Merchandise inventories on Lifo basis	55,552,000	51,316,000
Outstanding merchandise purchase orders	33,013,000	28,380,000
Property and equipment — net	81,197,000	74,949,000
Long-term debt	59,006,000	58,904,000
Investment of stockholders	106,845,000	100,915,000
NUMBER OF STOCKHOLDERS (at end of year)		
Preferred	5,912	6,181
Common	19,877	19,860

(1) Common dividend declared July 23, 1958, and paid October 1, 1958, of $0.50 per share, amounting to $861,000, included in 1959.

(2) The calculation of per share amounts is based on the average number of shares outstanding during the respective years — 1,744,808 and 1,719,545 shares of common stock.

R. H. Macy & Co., Inc.

★

TO THE STOCKHOLDERS

THE FISCAL YEAR ended August 1, 1959, was a profitable one for Macy's. Sales of $471,842,000 — up 3.4% over the preceding fiscal year — again reached an all-time high. After providing for dividends on preferred stock, earnings per share of common stock were $3.84, which compares with $3.20 per common share a year ago.

Sales and earnings for both years were adversely affected by the 13-month work stoppage involving three major downtown department stores in Toledo including our Lasalle & Koch store. This strike was settled on December 24, 1958.

The regular dividends of $2.00 per share of common stock and the usual dividends on the two classes of preferred stock were paid during the fiscal year. Thus, Macy's continues its long and unbroken record of profits — now 101 years — and the payment of dividends on its common stock in every year since 1927, the first year of such payments as a publicly-owned corporation. A review of the fiscal year's operations will be found beginning on page 5.

THE OUTLOOK Looking ahead, we anticipate another good year for the Corporation. The national economy is strong and continues to move forward, although the protracted steel strike may have a retarding effect. Our stores are in excellent locations and are operated by capable and experienced people. Our branch-store operations have become increasingly important and now produce over 40% of our total business.

The introduction by Macy's Bank of the new Macy's DA Shopping Account has broadened the market for Macy's New York by offering customers a modern, more convenient way to shop. Its initial acceptance by customers has been excellent.

THE 1960'S Because 1960 begins a new decade, it is appropriate to comment briefly on the conditions that it seems reasonable to anticipate in this country during the 1960's. In our judgment they will be favorable to department stores. Economists foresee a decade of spectacular growth. Population will be rapidly increasing. Productivity will continue to grow, and gross national product will rise to new record levels. Disposable income will reach new highs. The middle-income market, which Macy's serves, will continue to expand.

With a growing population, great numbers of new families will be creating new households, which means that the demand for housing, home furnishings, and wearing apparel will be strong.

INFLATION The dangers inherent in inflation are too great to be passed over lightly in any discussion of the immediate and long-term

outlook. The notion that inflation may be gradual and therefore harmless is, in our judgment, dangerous. Inflation puts its hand in everyone's pocket, and usually it does the most harm to those who can least afford it.

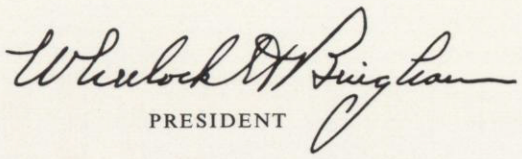
MACY'S AT THE MOSCOW FAIR In its long history Macy's has had many interesting experiences, but none more interesting than its participation in the American National Exhibition in Moscow during the summer of 1959. Macy's furnished a typical American house on a workingman's budget and showed well over 2,500,000 Russians how millions of Americans live. This event is described beginning on page 22.

ADMINISTRATIVE CHANGES Effective August 1, 1959, Thomas W. Johnston was appointed President of Macy's Missouri-Kansas Division upon the retirement of Alex. G. Lewi, who had served the Corporation for 35 years. Mr. Johnston formerly was a Senior Vice President for Merchandising at Bamberger's New Jersey.

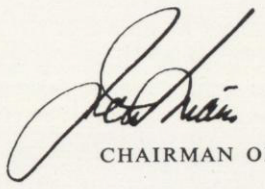
Effective July 1, 1959, Charles A. Cronheim was appointed Vice President for Planning and Development of R. H. Macy & Co., Inc., upon the resignation of Thomas M. Green. Mr. Cronheim was also elected a director of Garden State Plaza Corporation. He had been Senior Vice President for Operations at Bamberger's New Jersey.

APPRECIATION On behalf of the Board of Directors we take pleasure in extending our appreciation to all our employees for the good results of the fiscal year just completed. We appreciate also the cooperation of our suppliers the world over, and we are grateful for the continuing interest and confidence of Macy's customers and stockholders.

Respectfully submitted,



PRESIDENT



CHAIRMAN OF THE BOARD

October 15, 1959

FINANCIAL AND OPERATING REVIEW

Sales and Earnings

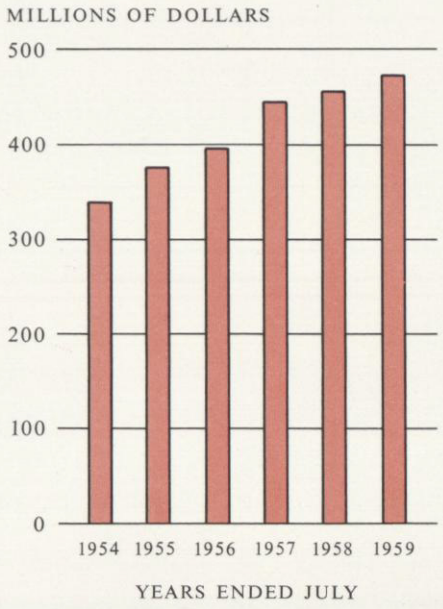
Sales for the year were $471,842,000. These were the highest sales in our history, and were $15,483,000, or 3.4%, above the previous high of $456,359,000 achieved last year. Each fiscal quarter of the year showed a sales gain over the corresponding quarter of the previous year. The increases were 1.2%, 4.0%, 2.9%, and 5.6% in the respective quarters.

The year's net earnings of $7,775,000 exceeded those for the year before by $1,186,000, or 18%.

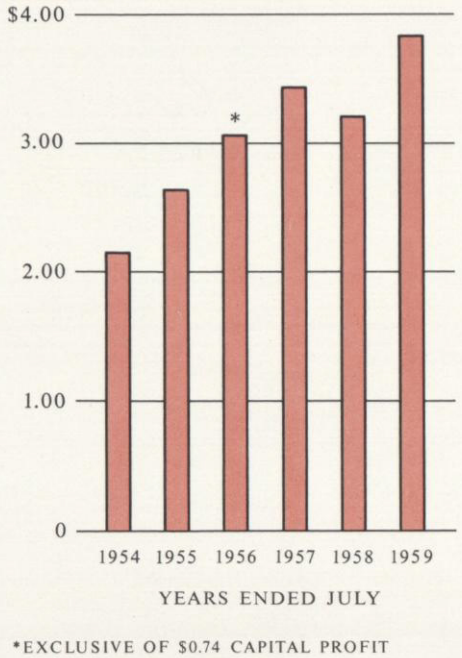
After dividends on preferred stock, the year's earnings were $3.84 per share of common stock, compared with $3.20 the year before and $3.44 two years ago.

Sales and earnings for the current and previous fiscal years were adversely affected by the strike at our Lasalle & Koch Toledo store. This 13-month work stoppage, which also affected other Toledo department stores, was settled on December 24, 1958.

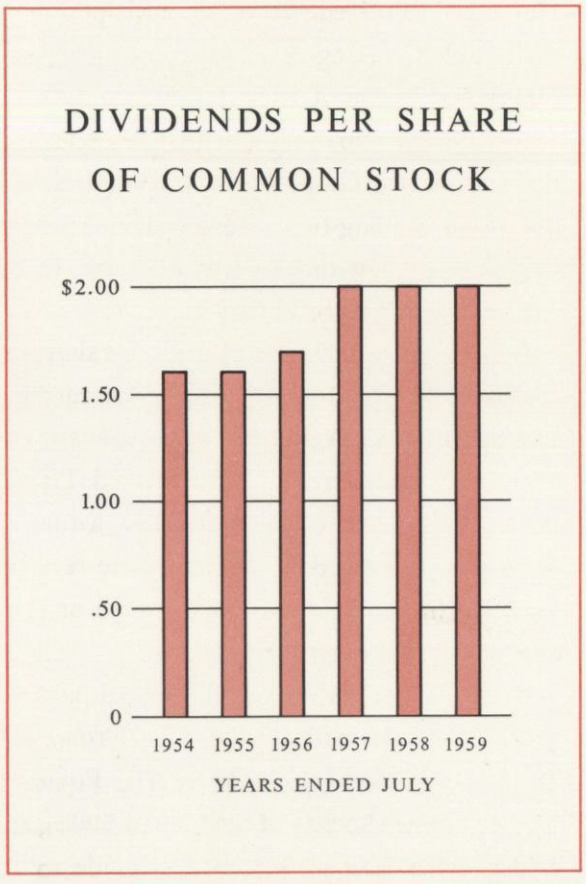
SALES AGAIN REACHED NEW HIGH



EARNINGS PER SHARE



*EXCLUSIVE OF $0.74 CAPITAL PROFIT



Dividends

Four quarterly dividends of $0.50 each were paid during the year to the holders of shares of the common stock. These, added to the regular dividends of $4.25 and $4.00 per share paid on the preferred stock, Series A and Series B, respectively, brought the total dividends paid during the 12-month period to $4,572,000.

On August 12, 1959, a quarterly dividend of $0.50 per share was declared on the common stock. Payment was made on October 1, 1959. This was the 130th consecutive quarterly dividend paid on these shares since 1927, the year in which dividends on common stock were first paid.

Taxes

Federal, state, and local taxes for the year aggregated $17,874,000. This was equivalent to $10.24 per share of common stock, an increase of 19% over the corresponding figure of $8.63 reported for the previous year. Five years ago, the Corporation's taxes amounted to $6.32 per share of common stock, while ten years ago the figure was $4.89.

Working Capital

At August 1, 1959, the working capital was $67,506,000, about the same as it was a year ago, when it totaled $67,826,000. The current ratio — the relation of current assets to current liabilities — at the close of the year was 2.6 as compared with 2.9 last year.

Cash and United States Government obligations, exclusive of the United States Government obligations applied against the Federal income-tax liability, totaled $18,388,000, or $1,380,000 more than a year ago. Customers' accounts, after deduction of accounts sold to banks, were $28,888,000, approximately the same as last year.

On a Lifo basis, there was an increase in merchandise inventories during the year from $51,316,000 to $55,552,000, principally as a result of the opening of two new branch stores.

The increase of $2,881,000 in accounts payable to $23,661,000 is due to the larger inventory and an increase in contractors' billings for work being done on various construction projects.

Lifo

The Corporation's petition for certiorari in its Lifo case for the fiscal year ended January 31,

1942, was denied by the United States Supreme Court on November 10, 1958. The Corporation is preserving its rights to raise the Lifo issue for subsequent years, pending determination of the same issue involving other department-store corporations. If Lifo is allowed the Corporation for subsequent years, the aggregate amount which should be recoverable would be somewhat greater than the amount carried in the Corporation's financial statements with respect to the claims for overpayment of Federal income taxes.

If it is finally determined that the Corporation is not entitled to Lifo for tax purposes for past years, and the first-in, first-out method were adopted for general accounting purposes, it would have no material effect upon the total net assets at August 1, 1959. Earnings for the year would not be materially affected.

Financing

In September, 1958, Garden State Plaza Corporation, a wholly-owned subsidiary, borrowed $3,500,000 from Irving Trust Company to finance the construction of Stage II of the Garden State Plaza Shopping Center at Paramus, New Jersey. Upon the completion of substantially all the work on this part of the project, Metropolitan Life Insurance Company, on July 1, 1959, made the second, and final, advance to Garden State Plaza Corporation, amounting to $3,500,000, under the terms of an agreement between them for a first-mortgage loan of $15,500,000, with interest at 4¼% per annum. The proceeds of the second advance were used to pay off the loan from Irving Trust Company.

During the year the Corporation continued to acquire some of its Twenty-Five Year 2⅞% Sinking Fund Debentures in anticipation of the regular sinking-fund payments due each November 1. On August 1, 1959, a total of $1,127,000 principal amount of these securities was held by the Corporation. In satisfaction of the year's sinking-fund requirement, $600,000 principal amount thereof was delivered to the Trustee on September 11, 1959.

By August 1, 1959, a total of 43,568 shares of common stock had been issued as the result of conversions of $1,397,000 principal amount of the 5% Convertible Subordinated Debentures. At the close of the fiscal year, a total of 340,116 shares of common stock were reserved for the conversion of the $10,884,000 of these debentures still outstanding.

On January 1, 1959, the first annual payment of $750,000 was made on the 3¾% Promissory Notes. These notes are held by The Equitable Life Assurance Society of the United States, and evidence the loan of $15,000,000 made to the Corporation by Equitable in 1953.

Expansion Program

Since the issuance of the last annual report, the Corporation has opened two additional branch stores. The first of these is a 120,000-square-foot branch of Davison-Paxon, opened July 30, 1959. This store is located in the Lenox Square Shopping Center in the suburban Buckhead area of Atlanta, Georgia. The second is the branch store opened by Bamberger's New Jersey on September 1, 1959, in the Menlo Park Shopping Center at Menlo Park in Middlesex County, New Jersey. This store will add 270,000 square feet to the operations of that Division.

Work is progressing on the 228,000-square-foot store under construction in the Monmouth

Shopping Center located at Eatontown, Monmouth County, New Jersey. This unit is expected to be ready by February, 1960, and will be operated as another Bamberger branch store.

The expansion of Bamberger's branch store in Morristown, New Jersey, is scheduled for completion in the fall of 1960. This project consists of the enlargement of that store from 66,000 square feet to 143,000 square feet.

The previously announced new branch store of Macy's Missouri-Kansas, an 80,000-square-foot unit, should be ready for operation in the spring of 1961. This store is to be located in a shopping center being constructed at 63rd and Troost in Kansas City, Missouri.

As recently announced in the press, Macy's New York plans to open a branch store in the Bay Shore Shopping Center at Bay Shore in Suffolk County, Long Island, New York. It is currently expected that this unit, which is to be about 250,000 square feet in size, will be opened in 1962.

At the Garden State Plaza Shopping Center in Paramus, New Jersey, work is progressing satisfactorily on Stage III of this project, the major unit of which is to be a branch store of Gimbel Brothers, Inc. Present scheduling is for this section of the shopping center to be in operation by late fall of 1960.

The Corporation's program for modernization and refurbishing of existing stores is being carried on continuously. Particular attention is being given to the larger downtown stores in the belief that such stores satisfy a major need of our customers.

The dynamic growth of suburban areas may have obscured the strong growth influences inside many urban centers. New York, for example, has been experiencing an unprecedented construction boom in midtown Manhattan as great new office buildings have been altering the skyline. Toledo recently converted four blocks of its downtown district into an experimental "shopping center" by diverting vehicular traffic outside the area and creating pedestrian malls lined with benches and gardens. Toledo has been stimulated also by the opening of the St. Lawrence Seaway, which makes that city a seaport for European shipping. In Kansas City much has been done to replace blighted areas located near the main downtown business section. In other cities where we have stores, efforts are being made to stimulate redevelopment of the downtown areas, and we are working actively with public and private organizations to accomplish this.

Credit

In July, 1959, Macy's Bank instituted the new Macy's DA Shopping Account for the customers of Macy's New York. Macy's Bank pays the store for what a customer has purchased and then sends the customer a monthly statement. The customer has the choice each month of paying the Bank in full within 10 days with no service charge, or paying at least one-fifth of the amount owed with a small service charge. Since the customer no longer needs to make advance deposits in Macy's Bank to use this new Shopping Account, it is expected that the new plan will result in substantially increased sales and customer satisfaction. Those customers who prefer to make deposits in advance may still use their accounts in that way.

Macy's New York continues to offer its convenient and increasingly popular C-T revolving-

credit account for customers who desire a longer time to pay for their purchases.

Macy's New York has contracted for the installation of an electronic data-processing system for its accounts receivable. It will further improve the speed, accuracy, and economy of handling that Division's hundreds of thousands of customers' accounts. This million-dollar equipment, built around an all-transistor National Cash Register 304 Computer, is scheduled to begin operation in 1961.

Foreign Operations

As is widely recognized, Macy's carries the largest assortment of imported merchandise of any group of retail stores in the country. This position has been achieved by the efficient foreign buying organization which the Corporation has built up over the years. Much of the credit for its success is due to the experienced group of employees who staff our foreign buying offices in New York and in major buying centers throughout the world: London, Belfast, Brussels, Frankfurt, Paris, Zurich, Florence, Osaka, and our most recent addition during the past fiscal year, Hong Kong. These men and women have served the Corporation loyally over a number of years and have, in this time, accumulated a wealth of experience. It is planned to make even greater use of this valuable resource in the future and, by increasing our activities in this field, to bring to our customers an even larger assortment of foreign merchandise.

Macy's People

Approximately 25,000 employees comprise Macy's regular year-round staff. An additional 10,000 temporary employees augment the work force at Christmas and at other seasonal peak periods of the year. About 70% are women, including a significant number who hold responsible professional and supervisory positions.

Department-store operation calls for a variety of skills. Supporting the efforts of the salespeople who meet the public are the many buyers, designers, copy writers, artists, photographers, accountants, tailors, carpenters, painters, engineers, cooks, and a host of others. The modern department store is virtually a city in itself.

Fair treatment of people is the keystone of Macy's personnel policy. Wage and salary levels are maintained in favorable relationship to rates generally prevailing. Individual merit and excellence are recognized and rewarded; growth and advancement are aided and encouraged. Employee benefit programs, including life and health insurance, vacations, holidays, provisions for retirement, and safe and pleasant working conditions, reflect sound and progressive employee relations.

In an industry where personnel turnover has traditionally been high, Macy's has an impressive number of loyal and highly competent long-service employees. Approximately 1,700 in our present work force have over 25 years of service with the Corporation.

The Corporation's Training Squad program, which has been conducted without interruption for more than 35 years, continues to seek and to develop young men and women who show promise of professional and managerial abilities for the future. This program is in effect in all Divisions. Graduates of our Training Squad fill many high-ranking positions throughout the organization and insure continuity of management.

The Corporation has good relations with its employees including those represented by unions. Macy's takes pride in the wealth of experience, skill, and loyalty which its employees bring to their work. Their combined contribution is what makes our stores great institutions in their communities.

Retirement System

The net assets of the Retirement System at July 31, 1959, aggregated $34,008,000. For the year just ended, the Corporation's contribution amounted to $1,963,000. There are now 13,271 employees who are covered by the Pension Plan. Of this number, 9,174 are also participants under the Profit Sharing Plan. Since its inception in 1944 a total of 1,884 employees have been retired under the provisions of the System.

Stock Option Plan for Key Executives

In 1954 the stockholders approved the Employee Stock Option Plan as a means of attracting, holding, and encouraging the ablest and most productive executive leadership. Under the Plan 150,000 shares of the Corporation's common stock are authorized to be issued to key executives. Each option is granted at 100% of the mean between the highest and lowest quoted selling prices of the common stock on the New York Stock Exchange on the date of grant. Optioned shares become available for purchase in nine annual installments commencing 18 months from the date of grant, and each option expires 10 years after that date.

At August 1, 1959, 65 executives held options for 118,300 shares, which were exercisable to the extent of 27,050 shares at that date.

At the beginning of the year there were 135,900 shares subject to outstanding options. During the year, options were granted for 5,000 shares; options for 5,850 shares were canceled; and options were exercised to the extent of 16,750 shares.

The remaining numbers of unoptioned shares available at the beginning and at the close of the year were 14,000 and 14,850, respectively.

Administrative Changes

In addition to the administrative changes reported in the Letter to Stockholders, the following changes were made during the year:

Macy's New York — John A. Blum joined Macy's New York as Senior Vice President for Sales Promotion and Public Relations.

Bamberger's New Jersey — Charles W. Garrison was transferred to Bamberger's from Lasalle & Koch, where he had been Vice President, and was promoted to Senior Vice President for Operations. The following executives were advanced from Vice President to Senior Vice President for their respective functions: K. Wade Bennett, Personnel; Gerald Goldstein, Controller and Secretary; Joseph H. Liebman, Sales Promotion; and Seymour J. Teich, Merchandising.

Davison-Paxon Company — Irwin I. Feldman was promoted from Merchandise Administrator to Vice President and General Merchandise Manager, filling the vacancy created by the retirement of Joseph Guzy.

The Lasalle & Koch Company — Ross F. Anderson was transferred from Macy's California, where he had been a Merchandise Administrator, to The Lasalle & Koch Company and was promoted to Vice President and General Merchandise Manager.

R. H. Macy & Co., Inc.

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

	Year (52 weeks) ended	
	August 1, 1959	August 2, 1958
NET RETAIL SALES (including licensed departments)	$471,842,324	$456,359,497
COSTS AND EXPENSES OF RETAIL OPERATIONS:		
Cost of goods sold and expenses, exclusive of items listed below	$425,659,419	$414,737,480
Taxes, except Federal income taxes	9,448,922	8,044,730
Rent expense	9,688,615	9,516,754
Depreciation and amortization	3,845,792	3,792,664
Maintenance and repairs	2,953,990	2,797,307
	$451,596,738	$438,888,935
Income from retail operations	$ 20,245,586	$ 17,470,562
INCOME FROM NON-TRADING SOURCES	861,052	573,557
	$ 21,106,638	$ 18,044,119
INTEREST EXPENSE less interest income of $454,353 and $302,438	4,906,682	4,655,050
Earnings before Federal income taxes	$ 16,199,956	$ 13,389,069
FEDERAL INCOME TAXES (including provision for deferred taxes — See Note 2)	8,425,000	6,800,000
Net earnings	$ 7,774,956	$ 6,589,069

See notes to financial statements.

CONSOLIDATED STATEMENT

ASSETS

	August 1, 1959	August 2, 1958
CURRENT ASSETS:		
Cash	$ 13,043,385	$ 14,880,366
U. S. Government direct and indirect obligations	5,344,422	2,127,551
Receivables —		
Customers' accounts —		
Regular accounts (principally 30-day)	13,427,065	13,834,758
Deferred payment accounts, a portion of which is due after one year —		
Equity in $49,440,244 and $57,882,798 of accounts sold to banks	5,321,299	6,336,382
Accounts not sold	10,139,159	8,902,746
	$ 28,887,523	$ 29,073,886
Less — estimated uncollectible amounts	2,554,000	2,277,000
Customers' accounts — net	$ 26,333,523	$ 26,796,886
Other receivables	3,659,623	4,628,636
Net receivables	$ 29,993,146	$ 31,425,522
Merchandise inventories — at Lifo cost, as determined under the retail inventory method, which is less than market (See Note 1)	55,552,162	51,316,201
Supplies and prepaid expenses	4,685,441	4,743,240
Total current assets	$108,618,556	$104,492,880
OTHER ASSETS:		
Overpayment of Federal income taxes claimed for the five years ended January, 1947, based on the Lifo method of inventory, including accrued interest of $2,102,699 to August 1, 1953 (See Note 1)	9,018,699	9,018,699
Miscellaneous, including investments in and advances to affiliated shopping centers at cost	8,465,689	7,815,416
PROPERTY AND EQUIPMENT, per accompanying statement	81,196,929	74,948,603
GOODWILL AND OTHER INTANGIBLE ASSETS — at cost, less accumulated amortization of $1,332,334 and $1,245,091	1,423,224	1,510,467
	$208,723,097	$197,786,065

See notes to financial statements.

AND CONSOLIDATED SUBSIDIARIES

OF FINANCIAL CONDITION

LIABILITIES

	August 1, 1959	August 2, 1958
CURRENT LIABILITIES:		
Accounts payable	$ 23,660,535	$ 20,779,665
Accrued salaries, commissions, etc.	3,622,446	3,487,763
Federal income taxes, less U. S. Government obligations of $8,428,903 and $9,055,820 (See Note 1)	—	—
Other taxes (including taxes collected from customers and employees)	6,382,449	5,203,903
Customers' deposits and miscellaneous	6,260,905	6,095,030
Long-term debt due within one year	1,186,211	1,100,099
Total current liabilities	$ 41,112,546	$ 36,666,460
LONG-TERM DEBT less amounts due within one year, per accompanying statement	$ 59,005,762	$ 58,904,172
DEFERRED FEDERAL INCOME TAXES (See Note 2)	$ 1,760,000	$ 1,300,000
INVESTMENT OF STOCKHOLDERS, represented by:		
Cumulative preferred stock, par value $100 per share —		
Shares authorized, 500,000 —		
4¼% Series A — Shares issued, 165,600; in treasury, 5,990; outstanding, 159,610, callable at $107.50 per share	$ 15,961,000	$ 15,961,000
4% Series B — Shares issued and outstanding, 100,000 (See Note 3)	10,000,000	10,000,000
Common stock, without par value, stated value $15 per share —		
Shares authorized, 2,500,000; issued, 1,783,711 and 1,723,703; in treasury, 3,939; outstanding, 1,779,772 and 1,719,764 (See Notes 4 and 5)	26,696,580	25,796,460
Additional paid-in capital; the increase in 1959 comprises $231,450 received over stated value of common stock issued under options and $734,738 credit from conversions of 5% debentures into common stock	11,427,316	10,461,128
Earnings reinvested in the business, per accompanying statement; $33,737,965 at August 1, 1959, is not distributable to holders of common stock under terms of long-term debt agreements	42,759,893	38,696,845
Total investment of stockholders	$106,844,789	$100,915,433
	$208,723,097	$197,786,065

R. H. Macy & Co., Inc.

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED EARNINGS REINVESTED IN THE BUSINESS

	Year (52 weeks) ended	
	August 1, 1959	August 2, 1958
BALANCE – Beginning of year	$38,696,845	$37,485,705
NET EARNINGS, per accompanying statement	7,774,956	6,589,069
	$46,471,801	$44,074,774
CASH DIVIDENDS DECLARED:		
Cumulative preferred stock, 4¼% Series A – $4.25 per share	$ 678,342	$ 678,342
Cumulative preferred stock, 4% Series B – $4.00 per share	400,000	400,000
Common stock: $2.00 per share paid in each year –		
$3,439,090 paid during year ended August 2, 1958	–	3,439,090
$3,494,063 paid during year ended August 1, 1959	2,633,566	860,497*
	$ 3,711,908	$ 5,377,929
BALANCE – End of year	$42,759,893	$38,696,845

*Declared July 23, 1958; paid October 1, 1958.

CONSOLIDATED LONG-TERM DEBT

(Amounts due within one year included in current liabilities)

	August 1, 1959	August 2, 1958
Twenty-Five Year 2⅞% Sinking Fund Debentures, due November 1, 1972; sinking-fund amortization of $600,000 due annually to November 1, 1961, and $800,000 annually thereafter, less $1,127,000 and $902,000 reacquired	$14,673,000	$15,498,000
5% Convertible Subordinated Debentures, due February 1, 1977; sinking-fund amortization of $720,000 due annually from February 1, 1968 (See Note 4)	10,883,700	12,270,900
3¾% Promissory Notes, $750,000 due annually from January 1, 1960, and balance January 1, 1973	13,500,000	14,250,000
4¼% Mortgage Note of a subsidiary (See Note 6)	14,799,361	11,630,301
First Mortgage 4⅛% Note of a subsidiary (See Note 7)	5,149,701	5,254,971
Total long-term debt	$59,005,762	$58,904,172

CONSOLIDATED PROPERTY AND EQUIPMENT

	August 1, 1959		August 2, 1958	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land	$ 7,783,667	$ –	$ 7,474,148	$ –
Buildings and improvements on owned properties	43,836,226	9,313,012	37,989,868	8,186,897
Buildings and improvements on leased properties and leaseholds	28,002,249	14,120,995	27,634,453	13,540,213
Fixtures and equipment	31,522,992	12,620,229	29,301,786	11,169,203
Construction in progress	6,106,031	–	5,444,661	–
	$117,251,165	$36,054,236	$107,844,916	$32,896,313
Net property and equipment	$81,196,929		$74,948,603	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) The inventories are stated at August 1, 1959, at $13,350,288, and at August 2, 1958, at $13,607,289, less than they would have been if the first-in, first-out principle had been applied in determining cost.

On November 10, 1958, the United States Supreme Court denied the Corporation's petition for certiorari to review the decision of the United States Court of Appeals for the Second Circuit which reversed the decision of the United States District Court for the Southern District of New York allowing the Corporation and its subsidiaries the use of the Lifo method of inventory in computing taxable income for the year ended January 31, 1942. The Corporation understands that the same issue is being contested by other department-store corporations. Pending determination of such other cases, the Corporation is preserving its rights to raise the issue as to its tax returns for the subsequent years. If the Lifo method of inventory is upheld for the years subsequent to January 31, 1942, the aggregate amount which should be recoverable would be somewhat greater than the amount carried in the Corporation's financial statements with respect to the claims for overpayment of Federal income taxes.

The Corporation is considering what basis it will henceforth use in its financial statements if it is finally determined that the Corporation is not entitled to Lifo for tax purposes for years subsequent to January 31, 1942. If the first-in, first-out method were to be used for general accounting purposes, it would have no material effect upon the total net assets at August 1, 1959, and while the reported earnings for prior years would differ as between the individual years, the aggregate reported earnings for the 17½ years ended August 1, 1959, would be increased by approximately $4,000,000, or about 4%. The maximum adjustments to the statement of financial condition as at August 1, 1959, would involve a net increase in working capital accounts (principally merchandise inventories) of approximately $13,000,000, a decrease of other assets by approximately $9,000,000, and an increase of approximately $4,000,000 in earnings reinvested in the business. Earnings for the periods covered by the accompanying financial statements would not be materially affected. The change from the Lifo method to the first-in, first-out method for tax purposes would not result in additional taxes of material amount over those actually paid to the Government in the past.

The proposal of the examining Revenue Agents to capitalize the 1946 loss of $3,375,000 on the sale of the Newark, New Jersey, main store property, which the Corporation had protested, has been settled with approximately $1,525,000 of the loss allowed in that year and the balance capitalized and amortizable for tax purposes over a period of 22 years from 1946. Audits by the Internal Revenue Service of the Corporation's tax returns for the years through July 31, 1955, have been substantially completed.

It is believed that adequate provision has been made to cover possible additional assessments.

(2) Deferred Federal income taxes represent estimated amounts deferred as a result of deducting, for income-tax purposes, in accordance with the Internal Revenue Code, more depreciation than has been charged to expenses in respect of certain property additions.

(3) The cumulative preferred stock, 4% Series B, is redeemable at par, except that certain premiums are applicable if refinanced through borrowings or sale of stock ranking equal or prior to preferred stock. Sinking-fund payments are required from 1971 to 1975, inclusive, sufficient to redeem in each year 20% of the shares outstanding in 1971.

(4) The convertible subordinated debentures are convertible into common stock at $32 per share, and the Corporation may, at its option, receive credit against sinking-fund payments for the principal amount of such conversions. At August 1, 1959, there were 340,116 shares of common stock reserved for the conversion of these debentures.

(5) Of the authorized common stock, 133,150 shares are subject to issuance under the Corporation's Employee Stock Option Plan. The Plan provides for 10-year options exercisable in nine installments commencing 18 months from grant dates. At August 1, 1959, there were outstanding options for 118,300 shares (which were exercisable to the extent of 27,050 shares) at 100% of market price on the grant dates ($27.3125 to $40.3125 per share).

(6) The 4¼% Mortgage Note of the subsidiary, Garden State Plaza Corporation, is payable to an insurance company in quarterly installments, with final payment due February 1, 1978. The portion of such installments due within a year, aggregating $330,940, is included in current liabilities.

(7) The First Mortgage 4⅛% Note of the subsidiary, R. H. M. Properties Corp., is payable to an insurance company in quarterly installments, with final payment due January 1, 1982. The portion of such installments due within a year, aggregating $105,271, is included in current liabilities.

(8) At August 1, 1959, the Corporation held long-term leases of more than three years, the rentals under which, for the year ending July 30, 1960, amount to $8,178,000 plus, in certain instances, real-estate and personal-property taxes, other expenses, and increased amounts based on percentages of sales. The leases provide for varying lease periods, including renewal privileges, to 2056. Real-estate and personal-property taxes under the lease arrangements are included with other taxes in the accompanying statement of earnings.

(9) Contingent liability: the Corporation has guaranteed Macy's Bank against decline in prices of securities held by the Bank, which, at cost, comprise $2,022,263 of securities issued or guaranteed by the U. S. Government and other marketable securities (principally state and municipal bonds) of $1,500,505.

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF

R. H. MACY & CO., INC.:

We have examined the consolidated statement of financial condition of R. H. Macy & Co., Inc. and consolidated subsidiaries as of August 1, 1959, and the related statements of earnings and of earnings reinvested in the business for the fiscal year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of R. H. Macy & Co., Inc. and consolidated subsidiaries at August 1, 1959, and the consolidated results of their operations for the fiscal year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN, BAILEY & SMART

New York, N. Y.
September 30, 1959

To the Administrative Committee of the Retirement System for Employees of R. H. Macy & Co., Inc. and Affiliates:

We have examined the statement reflecting the net assets of the Retirement System for Employees of R. H. Macy & Co., Inc. and Affiliates as of July 31, 1959, and the increase therein for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Marketable securities held by The Chase Manhattan Bank, Trustee, were confirmed to us by the bank.

In our opinion, the statement presents fairly the net assets of the Retirement System for Employees of R. H. Macy & Co., Inc. and Affiliates at July 31, 1959, and the increase therein for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN, BAILEY & SMART

New York, N. Y., September 30, 1959

RETIREMENT SYSTEM FOR EMPLOYEES OF

R. H. Macy & Co., Inc.

AND AFFILIATES

STATEMENT OF NET ASSETS AS OF JULY 31, 1959 AND INCREASE THEREIN FOR THE YEAR THEN ENDED

	Pension Plan	Profit Sharing Plan	Total Retirement System
ASSETS:			
Marketable securities held by The Chase Manhattan Bank, Trustee —			
U. S. Government and Government agency obligations	$ 1,501,515[1]	$ 3,025,619[2]	$ 4,527,134
Corporate bonds	4,439,713[1]	3,356,109[2]	7,795,822
R. H. Macy & Co., Inc. —			
Cumulative preferred stock, Series A	971,850[1]	1,167,925[2]	2,139,775
Common stock	168,648[1]	1,083,150[2]	1,251,798
Other (principally common stocks)	5,158,510[1]	9,810,413[2]	14,968,923
Investment in real properties at amortized cost —			
Radio and television properties leased to RKO Teleradio Pictures, Inc.[3]	1,836,605	1,224,403	3,061,008
San Francisco store property leased to R. H. Macy & Co., Inc.[4]	477,768	—	477,768
Cash	286,354	297,268	583,622
Income receivable	92,212	84,984	177,196
Total assets	$14,933,175	$20,049,871	$34,983,046
LESS:			
Benefits payable	$ —	$ 903,036	$ 903,036
Deferred rent income	61,250	—	61,250
Sundry accrued liabilities	5,905	4,600	10,505
	$ 67,155	$ 907,636	$ 974,791
Net assets of the Retirement System, July 31, 1959	$14,866,020	$19,142,235	$34,008,255
Net assets of the Retirement System, July 31, 1958	14,206,808	15,990,453	30,197,261
Increase in net assets for year ended July 31, 1959	$ 659,212	$ 3,151,782	$ 3,810,994
The increase in net assets for the year resulted from:			
Payments by the Corporation	$ 407,435	$ 1,555,136	$ 1,962,571
Net return from investments	429,638[5]	2,557,400[6]	2,987,038
Benefits paid or payable	*177,861*	*960,754*	*1,138,615*
Increase in net assets	$ 659,212	$ 3,151,782	$ 3,810,994

NOTES:

(1) At the lower of amortized cost or market value (aggregate market value of all marketable securities of the Pension Plan, $17,901,387).

(2) At market value as required by the Plan.

(3) After deducting proceeds of properties sold, $442,500, insurance proceeds of $170,096, and amortization of $826,396.

(4) The San Francisco store property is subject to a mortgage in the amount of $3,113,000 due serially to November 1, 1978, bearing interest at 3½% to November 1, 1969, and 3¾% thereafter.

(5) Including profits and losses realized on securities sold and unrealized losses on securities on hand.

(6) Including realized and unrealized profits and losses on marketable securities.

Italics denote deductions.

R. H. Macy & Co., Inc.

TEN-YEAR

	1959	1958	1957
OPERATING RESULTS			
Net retail sales	$471,842,000	$456,359,000	$447,639,000
Index of sales (using year ended July, 1950, as base)	147	142	139
Earnings before Federal income taxes	$ 16,200,000	$ 13,389,000	$ 14,386,000
Federal income taxes	8,425,000	6,800,000	7,400,000
Net earnings	7,775,000	6,589,000	6,986,000
Special items	—	—	—
Net earnings and special items	7,775,000	6,589,000	6,986,000
DISTRIBUTION OF EARNINGS			
Cash dividends declared on—			
Preferred stock	$ 1,078,000	$ 1,078,000	$ 1,078,000
Common stock	3,494,000[1]	3,439,000[1]	3,439,000
Earnings reinvested in the business	4,063,000	1,211,000	2,469,000
PER SHARE OF COMMON STOCK[2]			
Taxes — Federal, state, and local	$ 10.24	$ 8.63	$ 8.69
Net earnings	3.84	3.20	3.44
Net earnings and special items	3.84	3.20	3.44
Dividends	2.00[1]	2.00[1]	2.00
Working capital	38.69	39.44	41.56
Net worth — book value	46.36	43.58	42.88
FINANCIAL POSITION (at end of year)			
Working capital	$ 67,506,000	$ 67,826,000	$ 71,468,000
Ratio of current assets to current liabilities	2.6	2.9	2.9
Accounts receivable, customers — net	$ 26,334,000	$ 26,797,000	$ 29,339,000
Merchandise inventories on Lifo basis	55,552,000	51,316,000	55,340,000
Property and equipment — net	81,197,000	74,949,000	72,470,000
Long-term debt	59,006,000	58,904,000	60,873,000
Investment of stockholders	106,845,000	100,915,000	99,696,000
RETIREMENT SYSTEM FOR EMPLOYEES			
Pension costs	$ 407,000	$ 233,000	$ 102,000
Profit sharing, which is based on plan years ended prior January 31	1,555,000	1,549,000	1,485,000

NOTES:

(1) Common dividend declared July 23, 1958, and paid October 1, 1958, of $0.50 per share, amounting to $861,000, included in 1959.

(2) Calculation of per share amounts is based on average number of shares outstanding during the respective years.

AND CONSOLIDATED SUBSIDIARIES

REVIEW

YEAR ENDED APPROXIMATELY JULY 31						
1956	1955	1954	1953	1952	1951	1950
$398,261,000	$376,422,000	$340,316,000	$332,583,000	$331,780,000	$350,842,000	$321,234,000
124	117	106	104	103	109	100
$ 12,098,000	$ 11,315,000	$ 9,522,000	$ 10,074,000	$ 5,992,000	$ 9,666,000	$ 9,166,000
5,750,000	5,700,000	4,750,000	5,200,000	3,200,000	4,400,000	3,156,000
6,348,000	5,615,000	4,772,000	4,874,000	2,792,000	5,266,000	6,010,000
1,286,000[3]	—	—	—	2,767,000[4]	—	461,000[4]
7,634,000	5,615,000	4,772,000	4,874,000	5,559,000	5,266,000	6,471,000
$ 1,079,000	$ 1,082,000	$ 1,090,000	$ 1,097,000	$ 1,104,000	$ 954,000	$ 704,000
2,923,000	2,751,000	2,751,000	2,751,000	3,783,000	3,611,000	3,439,000
3,632,000	1,782,000	931,000	1,026,000	672,000	701,000	2,328,000
$ 7.46	$ 7.00	$ 6.32	$ 6.48	$ 5.72	$ 5.79	$ 5.23
3.07	2.64	2.14	2.20	0.98	2.51	3.08
3.81	2.64	2.14	2.20	2.59	2.51	3.35
1.70	1.60	1.60	1.60	2.20	2.10	2.00
34.36	38.91	34.15	32.79	30.01	28.74	24.17
41.45	39.33	38.29	37.73	37.11	36.72	36.31
$ 59,085,000	$ 66,897,000	$ 58,715,000	$ 56,381,000	$ 51,592,000	$ 49,414,000	$ 41,563,000
2.3	2.8	3.0	3.1	2.9	2.7	2.4
$ 33,659,000	$ 30,223,000	$ 29,993,000	$ 28,170,000	$ 24,100,000	$ 21,531,000	$ 19,873,000
47,926,000	41,376,000	36,509,000	35,190,000	31,612,000	41,344,000	28,825,000
61,894,000	44,713,000	52,575,000	50,805,000	50,203,000	53,604,000	53,567,000
41,104,000	32,600,000	33,147,000	29,764,000	24,900,000	26,500,000	27,500,000
97,230,000	93,638,000	91,991,000	91,182,000	90,349,000	89,695,000	78,993,000
$ 218,000	$ 290,000	$ 554,000	$ 503,000	$ 638,000	$ 569,000	$ 784,000
1,608,000	1,177,000	1,059,000	3,000	1,081,000	1,517,000	874,000

(3) Capital profit from sale of investment in General Teleradio, Inc. (California), after Federal income taxes applicable thereto.
(4) Capital profit from merger and sales of radio and television properties, after Federal income taxes applicable thereto.

DEPARTMENT STORE DIVISIONS

MACY'S NEW YORK

Herald Square, Parkchester, Jamaica, Flatbush, White Plains, and Roosevelt Field

DIRECTORS

ARTHUR L. MANCHEE . . . . . President

SENIOR VICE PRESIDENTS

MURRAY GRAHAM . . . . . Branch Stores and Vice Chairman of the Executive Committee

JOHN A. BLUM . . . . . Sales Promotion and Public Relations

FREDERICK C. FISCHER . . . . . Personnel

JACK HANSON . . . . . Controller and Secretary

ROBERT I. LAUTER . . . . . Merchandising

THOMAS F. O'NEIL . . . . . Operations

HERBERT L. SEEGAL . . . . . Merchandising

PHILIP SVIGALS . . . . . Merchandising

WHEELOCK H. BINGHAM DONALD B. SMILEY

JACK I. STRAUS

BAMBERGER'S NEW JERSEY

Newark, Morristown, Plainfield, Princeton, Paramus, and Menlo Park

DIRECTORS

DAVID L. YUNICH . . . . . President

SENIOR VICE PRESIDENTS

K. WADE BENNETT . . . . . Personnel

GEORGE M. BERSCH . . . . . Branch Stores

CHARLES W. GARRISON . . . . . Operations

GERALD GOLDSTEIN . . . Controller and Secretary

AMERIGO A. LANDISI . . . . . Merchandising

JOSEPH H. LIEBMAN . . . . . Sales Promotion

SEYMOUR J. TEICH . . . . . Merchandising

WHEELOCK H. BINGHAM

HORACE K. CORBIN DONALD B. SMILEY

WILLIAM A. HUGHES JACK I. STRAUS

DAVISON-PAXON COMPANY

Atlanta (*two stores – Downtown and Lenox Square*), Augusta, Macon, Columbus, Athens, and Sea Island, Georgia; Columbia, South Carolina

DIRECTORS

CHARLES H. JAGELS . . . Chairman of the Board

JOSEPH ROSS . . . . . President

HAROLD L. EBERSOLE . . . . . Vice President

IRWIN I. FELDMAN . . . . . Vice President and General Merchandise Manager

EDWIN R. MICHAELS . . . . . Vice President for Branch Stores

HERMAN ROSENBLUM . . Treasurer and Secretary

PHILIP H. ALSTON, JR.

WHEELOCK H. BINGHAM

C. HOWARD CANDLER, JR.

DONALD B. SMILEY JACK I. STRAUS

THE LASALLE & KOCH COMPANY

Toledo, Bowling Green, Tiffin, Sandusky, and Findlay, Ohio

DIRECTORS

MICHAEL YAMIN . . . . . President
ROSS F. ANDERSON . . . . . Vice President and General Merchandise Manager
JOEL ESQUITH . . . . . Treasurer and Secretary

WHEELOCK H. BINGHAM DONALD B. SMILEY
JACK I. STRAUS

MACY'S CALIFORNIA

San Francisco, Richmond, San Rafael, Hillsdale (San Mateo), Valley Fair (San Jose), and Bay Fair (San Leandro)

DIRECTORS

ERNEST L. MOLLOY . . . . . President
WALLACE W. DREYFOOS . . Senior Vice President
JOHN P. GARLING, JR. . . . . Vice President
HAROLD F. HAENER . . . . . Vice President
NICHOLAS B. OLEKSIW . . Treasurer and Secretary

WHEELOCK H. BINGHAM
GARRET McENERNEY II DONALD B. SMILEY
JACK I. STRAUS

MACY'S MISSOURI-KANSAS

Kansas City and Joplin, Missouri; Wichita and Mission, Kansas

DIRECTORS

THOMAS W. JOHNSTON . . . . . President
PAUL C. COLE . . . . . Vice President
ROBERT C. CASE . . . . . Treasurer and Secretary

WHEELOCK H. BINGHAM DONALD B. SMILEY
JACK I. STRAUS

GARDEN STATE PLAZA CORPORATION

DIRECTORS

JACK I. STRAUS . . . . . Chairman of the Board
EDWARD K. STRAUS . . . . . President
STURGIS E. CHADWICK . . . . . Vice President
ABE HACKMAN . . . . . Treasurer
CHARLES T. STEWART . . . . . Secretary

FREDERICK G. ATKINSON
WHEELOCK H. BINGHAM
J. BUCKLEY BRYAN DONALD B. SMILEY
CHARLES A. CRONHEIM DAVID L. YUNICH

IN THE KITCHEN *of the house furnished by Macy's at the Moscow Fair, Premier Nikita S. Khrushchev and Vice President Richard M. Nixon made international news. "The conference in the kitchen" lasted an hour and covered subjects ranging from washing machines to rockets and world peace.*

Macy's GOES TO THE MOSCOW FAIR

In 1959 Macy's New York helped show Russians what America is really like. Macy's furnished and decorated the house which attracted international attention at the Moscow Fair. Premier Nikita S. Khrushchev and Vice President Richard M. Nixon used the kitchen as background for their historic debate.

IN JANUARY, 1959, as the United States Government began to plan for its great American National Exhibition in Moscow's Sokolniki Park the following summer, an invitation came to Macy's from the White House to attend a luncheon.

Basically, the aim of the Americans planning the Exhibition was to present a portrait of America — its way of life, its diversity, its freedom of choice, its standard of living, and its values and aspirations. This was to be no parade of missiles, muscles, and might, but a look at the way Americans live under a free-enterprise system.

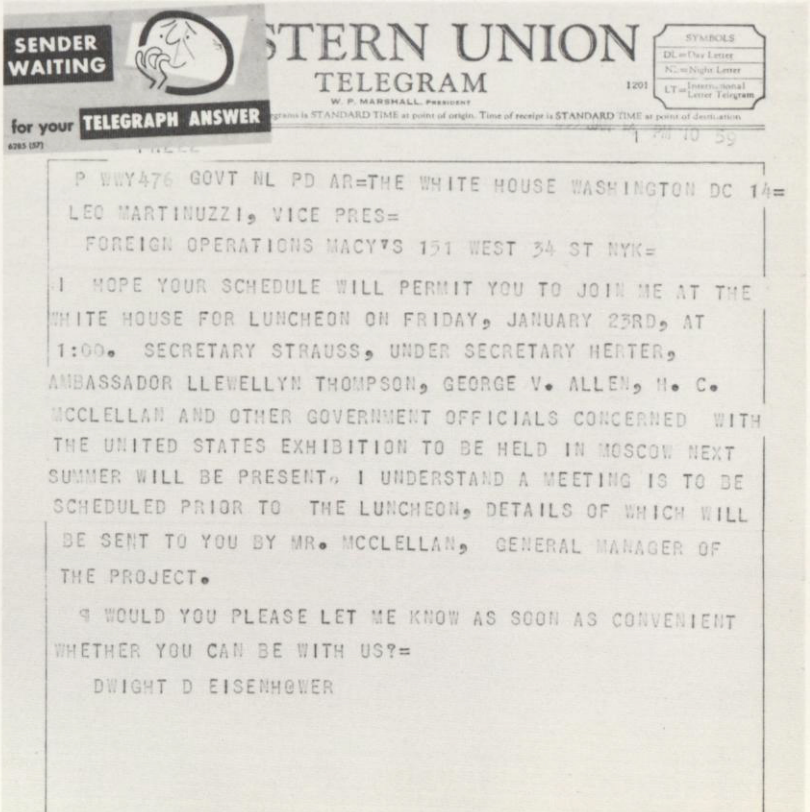
Would Macy's help?

Macy's Agrees to Help

Macy's would — and undertook to do what no one (we think) can do better: tastefully furnish and decorate a house on a workingman's budget. This was to be done for no more than $5,000 at Macy's retail prices.

The invitation to become a member of the American committee came in January. By March it was generally known that Macy's was to do the American house. By April planning had reached the stage where sketches could be shown. They were widely publicized in New York newspapers. Said one:

"Sorely missed at last year's Brussels Fair was


SENDER WAITING for your TELEGRAPH ANSWER

STERN UNION TELEGRAM

W. P. MARSHALL, President

SYMBOLS
DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

1201

Time of origin is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

1 PM 10 59

P WWY476 GOVT NL PD AR=THE WHITE HOUSE WASHINGTON DC 14=
LEO MARTINUZZI, VICE PRES=
FOREIGN OPERATIONS MACY'S 151 WEST 34 ST NYK=

I HOPE YOUR SCHEDULE WILL PERMIT YOU TO JOIN ME AT THE WHITE HOUSE FOR LUNCHEON ON FRIDAY, JANUARY 23RD, AT 1:00. SECRETARY STRAUSS, UNDER SECRETARY HERTER, AMBASSADOR LLEWELLYN THOMPSON, GEORGE V. ALLEN, H. C. MCCLELLAN AND OTHER GOVERNMENT OFFICIALS CONCERNED WITH THE UNITED STATES EXHIBITION TO BE HELD IN MOSCOW NEXT SUMMER WILL BE PRESENT. I UNDERSTAND A MEETING IS TO BE SCHEDULED PRIOR TO THE LUNCHEON, DETAILS OF WHICH WILL BE SENT TO YOU BY MR. MCCLELLAN, GENERAL MANAGER OF THE PROJECT.

I WOULD YOU PLEASE LET ME KNOW AS SOON AS CONVENIENT WHETHER YOU CAN BE WITH US?=

DWIGHT D EISENHOWER

FROM THE WHITE HOUSE *came a telegram asking Macy's Vice President for Foreign Operations to attend a luncheon conference to discuss plans for an American Exhibition to be held in Moscow in the summer of 1959.*

A19

(120)

MOSCOW, APRIL 9 (AP)-THE SOVIET PRESS GAVE ITS READERS TODAY AN ADVANCE TIP ABOUT THE AMERICAN NATIONAL EXHIBITION IN MOSCOW NEXT JULY: DON'T BELIEVE A WORD OF IT.

THAT TYPICAL AMERICAN HOME THAT'S GOING TO BE SHOWN? THE OFFICIAL SOVIET NEWS AGENCY TASS SNORTED THE RUSSIAN EQUIVALENT OF "BALONEY!" IN A DISPATCH DISTRIBUTED FOR PUBLICATION BY SOVIET NEWSPAPERS.

THE NEW YORK DISPATCH COMMENTED ON PUBLICATION IN AMERICAN PAPERS OF PLANS TO SHOW A $13,000 TYPICAL AMERICAN HOUSE, FURNISHED BY MACY'S DEPARTMENT STORE FOR ANOTHER $5,000.

MACY'S, INDIGNANTLY REPORTED TASS, IS IN THE PROPAGANDA BUSINESS.

"ACTUALLY," SAID THE SOVIET AGENCY, "THERE IS NO MORE TRUTH IN SHOWING THIS AS THE TYPICAL HOME OF THE AMERICAN WORKER THAN, SAY, IN SHOWING THE TAJ MAHAL AS THE TYPICAL HOME OF A BOMBAY TEXTILE WORKER, OR BUCKINGHAM PALACE AS THE TYPICAL HOME OF AN ENGLISH MINER."

THE FURNITURE, THE DISPATCH CONTINUED, IS BY "THE WELL KNOWN STORE MACY'S" SAID TO COST $5,000. BUT, IT ADDED, "EVEN IF ONE SUPPOSED FOR A MOMENT THAT AN AMERICAN WORKER COULD ENTER MACY'S STORE WITH $5,000 IN HIS POCKET, HE COULD HARDLY SUCCEED EVEN FOR THIS SUM IN BUYING SUCH FURNITURE AS IS SHOWN BY THE FIRM OF MACY WITH THE AIM OF PROPAGANDA."

JB/ED333PES

TASS JUST COULDN'T BELIEVE MACY'S PRICES *and cabled Moscow from New York, even before the Macy-furnished house arrived, that this "typical home of the American worker" was a complete myth — no more typical for the American worker than the Taj Mahal for the Bombay textile worker, or Buckingham Palace for the English miner.*

a house, even a room, showing how an average American family lives. This year Macy's is making up for it in a big way at the Moscow Fair opening the end of July."

Tass Couldn't Believe It

At this point Tass, the official Soviet news agency, sent the following dispatch to all Soviet newspapers:

"Actually there is no more truth in showing this as the typical home of the American worker than, say, in showing the Taj Mahal as the typical home of a Bombay textile worker, or Buckingham Palace as the typical home of an English miner."

Tass went on to say that, "Even if one supposed for a moment that an American worker could enter Macy's store with $5,000 in his pocket, he could hardly succeed even for this sum in buying such furniture."

Macy's Provides the Proof

Macy's immediately declared that it was furnishing the Moscow house for less than $5,000, and added that a duplicate of the house and its furnishings would go on display at Macy's Roosevelt Field, where anyone could check the prices and, if he chose, buy all the furnishings. (Later Macy's San Francisco store put a similar house on its roof — to become known as the

MACY'S FURNISHINGS FOR THE MODEL HOME *were packed in two huge crates and shipped to Moscow for the Exhibition.*

HOW MACY'S FURNISHED THE MOSCOW HOUSE FOR LESS THAN $5,000

		MACY'S RETAIL PRICES	
Living Room	Sofa with cushions	$255.10	
	Cabinet (with brass base) for china	179.00	
	3 chairs	212.95	
	4 tables	174.80	
	41 square yards of carpeting with padding	300.94	
	Draperies (installed)	154.60	
	Portable television set	139.00	
	Hi-Fi, room divider, 3 lamps with shades, pictures, ash trays	327.72	$1,744.11
Dining Room	Dining table	$109.00	
	4 chairs	131.56	
	Buffet	199.00	
	15 square yards of carpeting with padding	107.10	
	Draperies (installed)	79.80	
	Decorative accessories	78.81	705.27
Master Bedroom	Double bed: headboard, box spring, and mattress	$135.85	
	Dresser	179.00	
	Mirror and table	124.90	
	21 square yards of carpeting with padding	154.14	
	Clock radio, lamps with shades, curtains, pictures, bedcovers	196.15	790.04
Girl's Bedroom	Double bed: headboard, box spring, and mattress	$138.85	
	Dresser and mirror	213.95	
	Desk and chair	166.95	
	18 square yards of carpeting with padding	132.12	
	Pictures, lamps with shades, curtains, bedcovers	124.08	
	Window shades (installed)	75.00	850.95
Boy's Den	Studio bed	$159.95	
	Desk, chair, table, shelves	150.10	
	Lamps, throw rug, accessories	55.50	
	Draperies	34.90	400.45
Kitchen	Table, chairs, pots, cereal set	$ 84.80	
	Curtains	28.95	113.75
Bathroom	Towels, washcloths, bath mats, shower curtain	$ 53.31	
	Linen closet: 16 sheets, 12 pillowcases	47.34	100.65
Patio and Foyer	Chaise, folding chairs, umbrella, table, pictures	. . .	232.97
	TOTAL	. . .	$4,938.19

"Roofnik.") A detailed item-by-item breakdown of the furnishings being shipped to Moscow, together with the price of every item, was made available to the press. The total, at Macy's retail prices, came to $4,938.19, as shown on page 25.

The dispatch by Tass, and Macy's prompt reply, created widespread public interest. Hundreds of news stories and many editorials appeared in the press in this country and abroad.

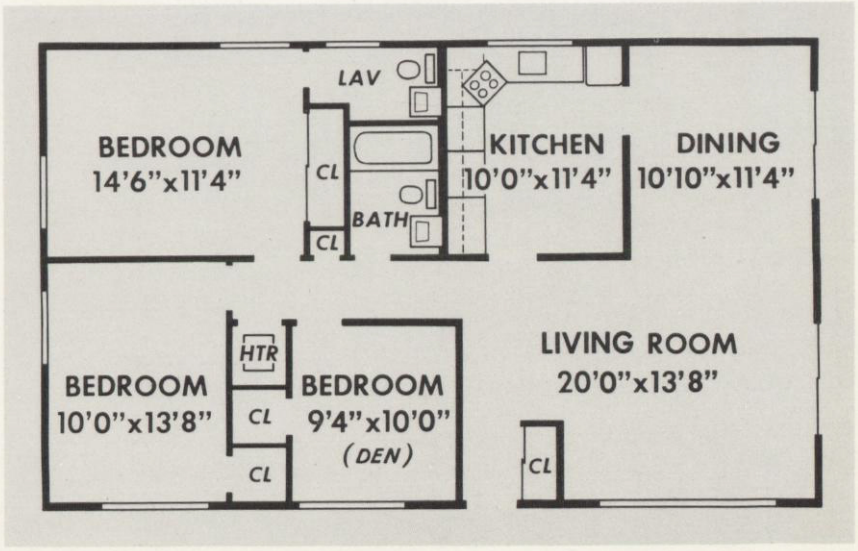
Later, Macy executives who went to Moscow found it easy to understand how Russians might be surprised by Macy's prices. GUM, the Soviet state department store in Moscow, was selling nylons, which sold for 59¢ in Macy's New York, for the equivalent of $4.10 a pair; size three children's coats, priced at $9.34 in Macy's New York, for $45; and $4.64 women's slips for $60.

The Exhibit House

The house itself, built by All-State Properties Inc., was like houses selling in the United States (without land but including the kitchen appliances) for $13,000 cash or, if on time payments, for $176 down with monthly payments for amortization and interest of $78 on a 30-year mortgage. "A man earning less than $100 a week can buy this house today," the builders announced, pointing out that 27% of new homes built in the United States fell within the $12,000 to $14,999 range according to the Bureau of Labor Statistics.

Macy's decorator who selected the furnishings and laid out the interior of the house flew to Moscow in July to supervise uncrating the

2,500,000 RUSSIAN VISITORS *went through the model house decorated and furnished by Macy's. The crowds pressed forward so eagerly to examine the exhibit that several times the guardrails protecting the rooms on display had to be rebuilt. The floor plan of the house is shown below.*



FURNISHINGS FROM MACY'S REGULAR STOCK were selected for the Moscow house. The house and its furnishings were also on view in San Francisco, where a replica (nicknamed the "Roofnik" by West Coast newspapers) was built atop Macy's store; and on Long Island, where model houses were set up at Macy's Roosevelt Field branch store and at the builder's development in Commack.

furnishings and setting them up in the exhibit house. As opening day drew near, Macy's New York executives went to Moscow — conscious of the responsibility assumed by Macy's to portray a facet of American free enterprise. The Macy-furnished house was the first of the exhibits at the Fair to be completed.

The Great Debate in the Kitchen

Then came the great day — July 24 — when Vice President Richard M. Nixon, touring Russia, was to act as host and show Premier Nikita S. Khrushchev through the American Exhibition. As they moved through the house, passing the master bedroom and the children's bedrooms, they nodded approvingly. Then they came to the wonderful American kitchen, filled with the things that Russians dream of. Premier Khrushchev stopped, and the debate began. For a full hour, the conversation went on, ranging from talk about kitchen gadgets to world politics.

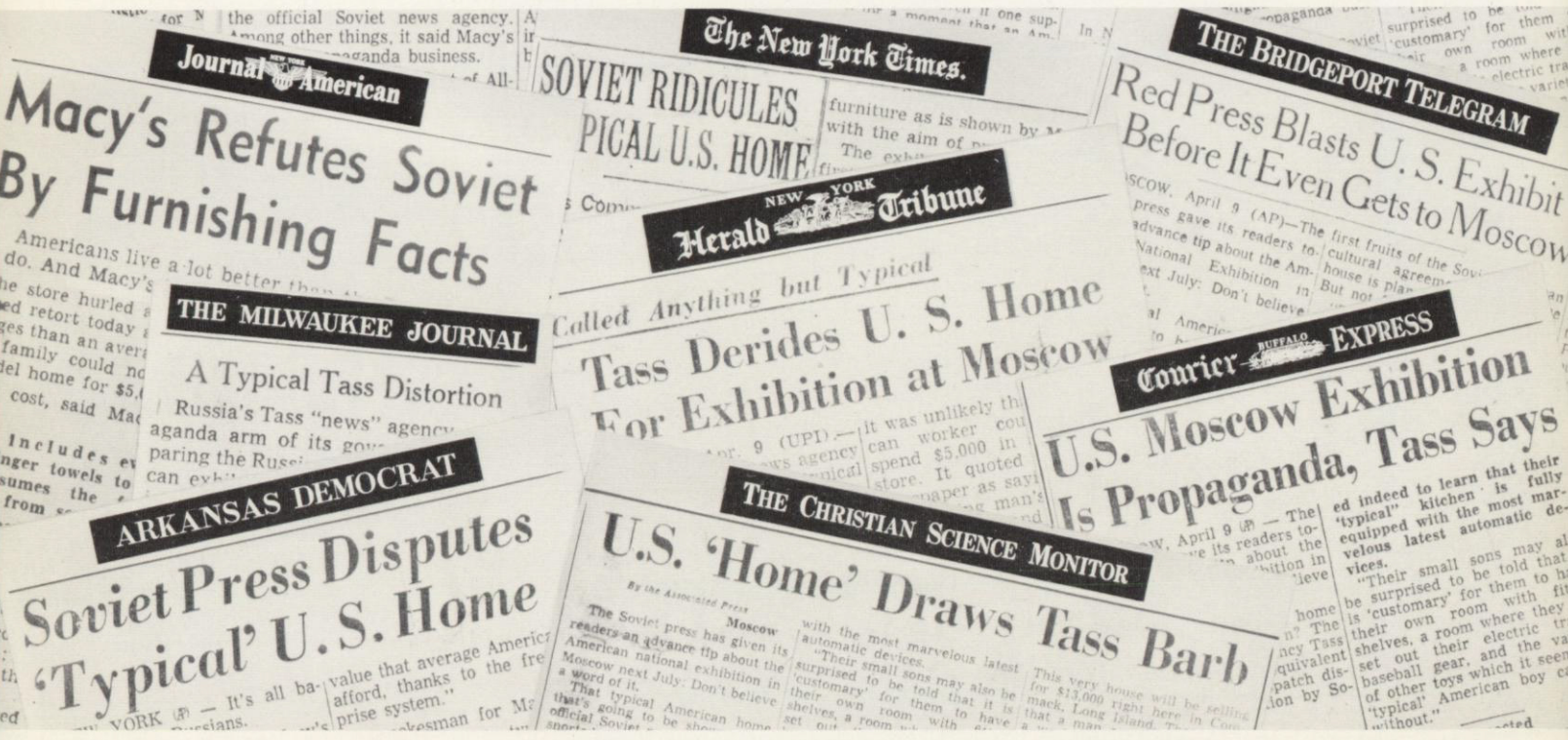
The great "kitchen debate" was widely reported in the American press and on radio and television. It made the kitchen in the American house famous — a place where history was made.

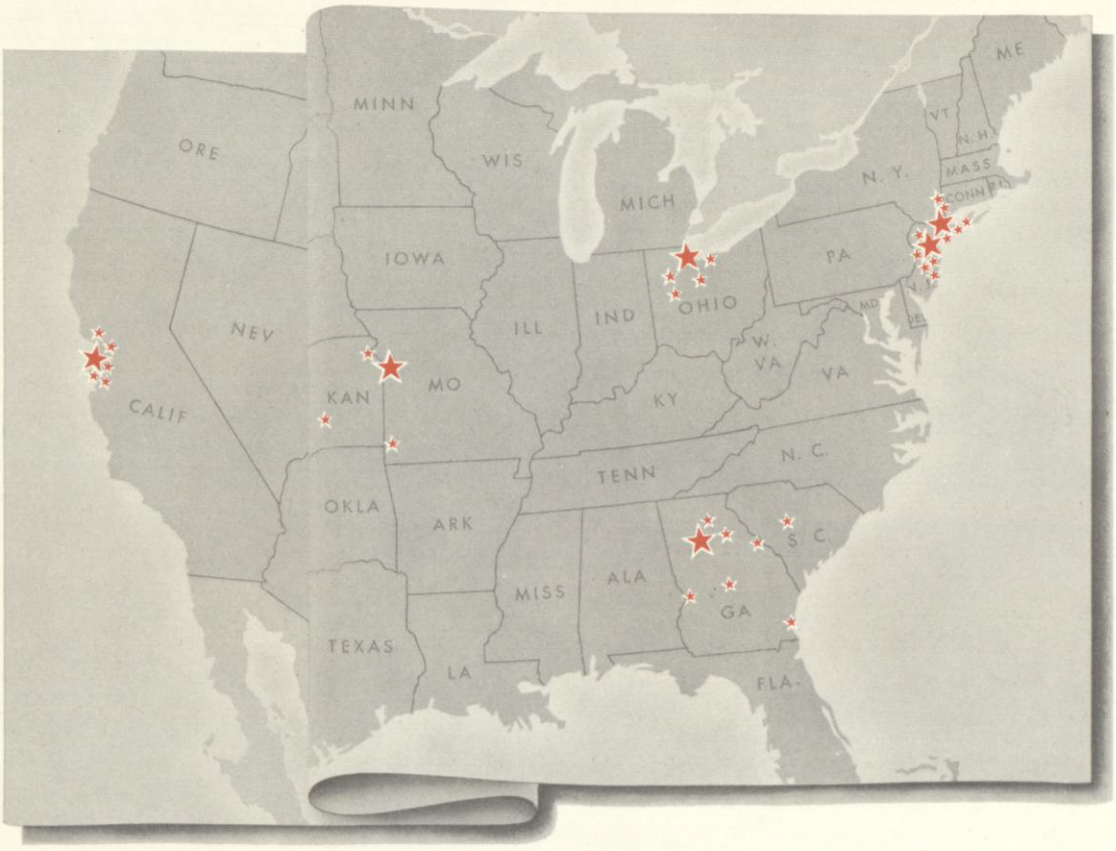
The Russian People Were Interested

Looking back — did the model house achieve its objective? Did the 2,500,000 visitors who went through the house believe what they saw?

The very fact that so many Russians were attracted to the model house at the Exhibition is an indication of the intense interest and curiosity of the Russian people in how Americans live. It seems most likely that the exhibit did get across a truer image of America.

MACY'S MADE HEADLINES *by reporting the cost of furnishing the Moscow house — from wall-to-wall carpeting in four rooms down to washcloths in the bathroom. Total retail price at Macy's — $4,938.19. Nearly 300 newspapers in the United States published stories — many on page 1 — and many wrote editorials as well.*





STORES OPERATED BY R. H. MACY & CO., INC.

★ 6 PARENT STORES ⋆ 29 BRANCH STORES

ANNUAL MEETING The Annual Meeting of Stockholders of R. H. Macy & Co., Inc., will be held at 10:30 A.M. on Tuesday, November 10, 1959, at Hotel Statler, 7th Avenue and West 33rd Street, New York, New York, 18th floor, Penn Top. All stockholders are cordially invited to attend.

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